

Message Text

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R 141809Z JUN 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9397
INFO AMEMBASSY COPENHAGEN
AMEMBASSY KINSHASA
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMCONSUL HONG KONG
USLO PEKING

C O N F I D E N T I A L SECTION 01 OF 03 BONN 10974

E.O. 11652: GDS
TAGS: PEPR, ETRD, CH, GW
SUBJECT: FRG-PRC RELATIONS: KU MU VISIT

REFS: A) COPENHAGEN 3654;

BEGIN SUMMARY: CHINESE VICE PREMIER KU MU, WHO WAS HERE
FROM MAY 28 TO JUNE 6, IS THE HIGHEST LEVEL PRC OFFICIAL
YET TO VISIT THE FRG. HE MADE IT CLEAR THAT THE PURPOSE
OF HIS VISIT WAS TO CHECK OUT THE REPORTS OF PREVIOUS
PRC DELEGATIONS PRIOR TO PLACING DIRECT ORDERS
FOR SUBSTANTIAL PRC PURCHASES IN THE FRG. NO AGREEMENTS
WERE SIGNED BUT KU MU IMPLIED THAT LARGE ORDERS WOULD
PROBABLY BE PLACED WITHIN THE NEXT 18 TO 24 MONTHS.
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POLITICAL DISCUSSIONS WERE LIMITED AND PRO FORMA. END
SUMMARY.

1. KU MU'S VISIT TO THE FRG FOLLOWED RAPIDLY ON THE
HEELS OF A LARGE NUMBER OF LOWER LEVEL PRC DELEGATIONS
HERE TO INVESTIGATE VARIOUS FACETS OF FRG INDUSTRY AND
TECHNOLOGY. AS VICE PREMIER AND OFFICIAL IN CHARGE OF

ECONOMIC INVESTMENT IN THE PRC, KU MU CLEARLY OUTRANKED ANY OF THE PREVIOUS DELEGATIONS AND HIS IMPORTANCE WAS NOT LOST ON THE GERMANS, WHO SPARED NO EFFORT TO MAKE HIS VISIT COMFORTABLE AND PRODUCTIVE.

2. ACCORDING TO OUR FOREIGN OFFICE CONTACTS (WEGNER, DIRECTOR FOR EAST ASIAN AFFAIRS AND OTHERS), KU MU MADE IT CLEAR FROM THE BEGINNING WHY HE HAD COME TO THE FRG. HE ACKNOWLEDGED THAT THE PRC HAS SENT NUMEROUS DELEGATIONS TO THE FRG AND AFFIRMED THAT HIS PURPOSE WAS TO CONFIRM THEIR FINDINGS PRIOR TO PLACING ANY LARGE ORDERS IN THE FRG. KU MU TOLD HIS GERMAN INTERLOCUTORS THAT THE PRC WAS DEVELOPING A 5-YEAR ECONOMIC PLAN (1978-1982) IN WHICH THE ROLE OF FOREIGN PURCHASES WAS LIKELY TO BE SUBSTANTIAL. HE ALSO MADE CLEAR THAT HE WOULD BE SIGNING NO AGREEMENTS OR CONTRACTS AT THIS TIME; THESE WOULD FOLLOW THE FINAL APPROVAL OF THE PLAN IN PEKING AND COULD NOT POSSIBLY BE FINALIZED BEFORE LATE 1978. THE GERMAN SIDE WAS IMPRESSED WITH KU MU'S CANDOR IN THIS REGARD, CONSIDERING THIS A CLEARER STATEMENT THAN IT HAS HEARD PREVIOUSLY FROM ANY OF ITS CHINESE CONTACTS.

3. KU MU WAS ALSO QUITE FRANK IN EXPLAINING THAT THE QUANTITY OF CHINESE IMPORTS WOULD BE STRICTLY LIMITED BY PRC FOREIGN CURRENCY RESERVES. ALTHOUGH THEY SEE INDICATIONS THAT THE PRC IS RECONSIDERING ITS VIEWS ON CONFIDENTIAL

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FOREIGN CREDITS, OUR CONTACTS NOTE THAT THERE WAS NO DISCUSSION OF CREDIT OR OTHER FINANCIAL ARRANGEMENTS BY EITHER KU MU OR HIS DELEGATION.

4. KU MU TRAVELLED WIDELY THROUGHOUT THE FRG, VISITING INDUSTRIAL FACILITIES IN MOST LARGER GERMAN CITIES. ACCORDING TO OUR CONTACTS, THE CHINESE SEEMED PRIMARILY INTERESTED IN THE FOLLOWING AREAS:

-- COAL AND COAL MINING: THE CHINESE DISPLAYED PARTICULAR INTEREST IN THE ENERGY SYSTEM NECESSARY TO BEGIN AND DEVELOP A COAL MINE. OF ALL THE AREAS THE CHINESE INVESTIGATED, THEIR GREATEST INTEREST SEEMED TO BE IN GERMAN COAL-RELATED TECHNOLOGY.

-- PETRO-CHEMICAL INDUSTRY.

-- PHARMACEUTICAL FACTORIES AND TECHNOLOGY: REPRESENTATIVES OF THE CHINESE MINISTRY OF HEALTH STAYED ON IN THE FRG FOR SEVERAL DAYS AFTER KU MU'S DEPARTURE TO CONTINUE TALKS IN THIS AREA.

-- OTHER CHEMICAL TECHNOLOGY.

-- SOPHISTICATED TELECOMMUNICATIONS TECHNOLOGY.

-- MICRO-ELECTRONICS.

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5. THE FOREIGN OFFICE EXPECTS THAT THE NEXT 18 TO 24 MONTHS WILL SEE A REMARKABLE GROWTH IN BILATERAL TRADE. IT IS THE IMPRESSION HERE THAT THE PRC WILL DEVOTE VIRTUALLY ALL ITS FOREIGN CURRENCY RESERVES TO PURCHASES IN THE WEST IN AN EFFORT TO MEET ITS LONG RANGE ECONOMIC GOALS. HOWEVER, THE FOREIGN OFFICE IS CONVINCED THAT EVEN IF A FRACTION OF THOSE TRANSACTIONS HINTED AT DURING KU MU'S VISIT COME TO FRUITION, THE PRC WILL HAVE TO RESORT TO LARGE-SCALE USE OF CREDIT-TYPE ARRANGEMENTS.

6. DURING HIS VISIT KU MU MET PRIVATELY WITH THE TOP
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LEVEL OF THE GERMAN GOVERNMENT, INCLUDING PRESIDENT SCHEEL, CHANCELLOR SCHMIDT, FOREIGN MINISTER GENSCHER, MINISTER OF ECONOMICS LAMBSDORFF, ETC. FOR DISCUSSIONS ON THE CURRENT WORLD SITUATION. THE GERMAN SIDE RECOGNIZES THE FACT THAT KU MU HAD LIMITED COMPETENCE TO SPEAK ON POLITICAL SUBJECTS. NEVERTHELESS, THE FOREIGN OFFICE CONSIDERS THE FOLLOWING COMMENTS BY KU MU AS SIGNIFICANT:

-- GERMAN REUNIFICATION: THROUGHOUT THE VISIT KU MU SPOKE OFTEN ON WHAT HE CALLED THE DESIRABLE GOAL ON GERMAN REUNIFICATION. WHILE THERE IS NOTHING NEW IN THIS PRC POSITION, THE FOREIGN OFFICE SAID THAT KU MU EVINced A GREATER COMMITMENT TO THIS GOAL THAN HAD HERETOFORE BEEN THE CASE. NATURALLY, THIS ELEMENT OF KU MU'S SPEECHES RECEIVED WIDE PRESS PLAY; GENSCHER WAS PLEASED AND SHOWED IT.

-- SOVIET UNION: KU MU ASSERTED THAT THE SOVIET DRIVE FOR HEGEMONY CONTINUES UNABATED. THE ULTIMATE SOVIET GOAL IS STILL CONQUEST OF EUROPE; SOVIET INVOLVEMENT IN AFRICA IS MERELY ANOTHER STEP TOWARD THAT END.

-- AFRICA: KU MU OPENLY BLAMED THE SOVIETS AND CUBANS FOR INTERFERENCE IN AFRICAN AFFAIRS. (HE MADE NO MENTION OF GDR INVOLVEMENT.) HE WELCOMED WHAT HE CALLED THE WESTERN RESPONSE TO SOVIET AGGRESSION IN ZAIRE, ADDING THAT WHEN AN AFRICAN STATE WAS THREATENED FROM THE OUTSIDE THE PRC WOULD NOT HESITATE TO OFFER THAT COUNTRY ITS OPEN SUPPORT. IT WAS IN THIS CONTEXT THAT KU MU DESCRIBED HUANG HUA'S VISIT TO ZAIRE WHICH HE SAID HAD BEEN PLANNED IN PRINCIPLE FOR SOME TIME.

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-- VIETNAM: KU MU REPEATED THE WELL-KNOWN CHINESE POSITION, ADDING THAT HE HOPED THAT THE VIETNAMESE PROBLEM COULD BE SOLVED BY NEGOTIATION. THE PRC HAD DONE ALL IT COULD, HOWEVER, AND IT WAS NOW UP TO THE VIETNAMESE TO SHOW THAT THEY TOO WERE INTERESTED IN A NEGOTIATED SETTLEMENT. THE FRG AMBASSADOR TO THE PRC (WICKERT), WHO WAS PRESENT WHEN THIS REMARK WAS MADE REPORTEDLY CONSIDERS KU MU'S STATEMENT MORE THREATENING

THAN HE HAD HEARD PREVIOUSLY.

-- ASEAN: GENSCHER EXPLAINED TO KU MU THE BASIS OF HIS AND THE EC'S SUPPORT OF ASEAN. KU MU REPLIED THAT THE CHINESE SUPPORTED THE ASEAN CONCEPT AND EUROPEAN INTEREST IN IT SINCE ASEAN WAS AN IMPORTANT SOURCE OF STABILITY IN THE REGION.

-- WORLD ECONOMY: KU MU ALLEGED THAT MANY OF THE THIRD WORLD'S ECONOMIC PROBLEMS COULD BE ATTRIBUTED TO THE PITIFULLY SMALL DEVELOPMENT AID PROGRAMS OF THE SOVIET UNION AND EAST EUROPE.

-- INDIA: KU MU WAS MORE POSITIVE ON THE STATUS AND PROSPECTS FOR CHINESE RELATIONS WITH INDIA THAN THE GERMANS HAD EVER HEARD. THE FOREIGN OFFICE DREW THIS CONCLUSION, NOT SO MUCH FROM ANY STATEMENT HE MADE BUT RATHER FROM KU MU'S GENERAL TONE IN DISCUSSION OF INDIA AND INDIA'S LEADERS.

-- AFGANISTAN: KU MU SAID THAT THE CHINESE GOVERNMENT IS QUITE CONCERNED WITH THE RECENT DEVELOPMENTS IN AFGANISTAN BUT THAT IT WOULD ADHERE FIRMLY TO ITS POLICY OF NON-INTERFERENCE.

-- JAPAN: KU MU QUOTED HSIAO-PING TENG TO THE EFFECT THAT ALTHOUGH THE DANGER OF CONFRONTATION WITH JAPAN IS PASSED, IT IS NOW UP TO JAPAN TO SIGN THE TREATY OF CONFIDENTIAL

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PEACE AND FRIENDSHIP.

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7. ACCORDING TO OUR FOREIGN OFFICE CONTACTS THE PRC DELEGATION MADE A MOST FAVORABLE IMPRESSION. KU MU AND HIS GROUP WERE INVARIABLY WELL INFORMED, CONFIDENT, AND RELAXED. ONE CONTACT DESCRIBED THEM AS "THE KIND OF PEOPLE WE LIKE TO DO BUSINESS WITH."

8. THE DELEGATION HAD LITTLE TO SAY ABOUT INTERNAL CHINESE DEVELOPMENTS OTHER THAN TO STATE THAT THE PRC'S RECOVERY FROM THE RAVAGES OF THE GANG OF FOUR WAS TAKING LONGER THAN EXPECTED BECAUSE THE DAMAGES HAD PENETRATED INTO CHINESE SOCIETY MORE DEEPLY THAN HAD BEEN
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ANTICIPATED. KU MU REFERRED OFTEN TO WHAT HE CALLED THE "NEW LONG MARCH" WHICH HE DESCRIBED AS THE PURSUIT OF ECONOMIC AND TECHNOLOGICAL DEVELOPMENT.

9. ALTHOUGH CHINESE INTEREST IN GERMAN WEAPONS AND WEAPONS TECHNOLOGY IS AN OPEN SECRET, OUR CONTACTS TELL US THAT THERE WAS NO DISCUSSION AT ALL OF FRG ARMS SALES TO THE PRC. ALTHOUGH FACTS ON THIS ASPECT OF THE FRG/PRC RELATIONSHIP ARE DIFFICULT TO COME BY, WE WILL BE ADDRESSING THIS ISSUE IN A SEPTTEL, IN WHICH WE PLAN TO DISCUSS FURTHER THIS ASPECT OF THE BILATERAL RELATIONSHIP.

10. COMMENT. FROM THE POINT OF VIEW OF PUBLICITY AND GOOD WILL, KU MU'S VISIT WAS UNDOUBTEDLY SUCCESSFUL. THE ECONOMIC DEALS HE "PROMISED" HAVE YET TO BE SEEN.

UNTIL THOSE RESULTS ARE IN, THE REAL IMPORTANCE OF KU
MU'S VISIT MUST WAIT TO BE EVALUATED.
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